

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Michael Kubayanda, Chairman;
Ashley E. Poling, Vice Chairman;
Mark Acton;
Ann C. Fisher; and
Robert G. Taub

Periodic Reporting
(Proposal Five)

Docket No. RM2021-8

NOTICE OF PROPOSED RULEMAKING ON ANALYTICAL PRINCIPLES
USED IN PERIODIC REPORTING (PROPOSAL FIVE)

(Issued August 6, 2021)

I. INTRODUCTION

On August 4, 2021, the Postal Service filed a petition pursuant to 39 CFR 3050.11, requesting that the Commission initiate a rulemaking proceeding to consider changes to analytical principles relating to periodic reports.¹ The Petition identifies the proposed analytical changes filed in this docket as Proposal Five.

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Five), August 4, 2021 (Petition). The Postal Service filed two non-public Attachments under seal with Proposal Five as part of Library Reference USPS-RM2021-8/NP1. The information is of the type provided under seal within Docket No. ACR2020, Library Reference USPS-FY20-NP2 and -NP5 in the Postal Service's FY2020 Annual Compliance Report. The Postal Service therefore incorporates by reference the Application for Non-Public Treatment of Materials contained in Attachment Two to the United States Postal Service Fiscal Year 2020 Annual Compliance Report, filed on December 29, 2020. Library Reference USPS-RM2021-8/NP1, August 4, 2021; Notice of Filing of USPS-RM2021-8/NP1 and Application for Nonpublic Treatment, August 4, 2021.

II. PROPOSAL FIVE

Proposal. The Postal Service proposes to treat International surface transportation to Canada separately from the treatment of International air transportation. Petition, Proposal Five at 1. The Postal Service explains that the proposal uses additional Foreign Postal Settlement System (FPS) data to develop a distribution key to more accurately distribute outbound International surface transportation expenses to Canada (Account 53281). *Id.* After isolating International surface transportation to Canada for separate treatment, the proposal continues to use the International Air Transportation file to distribute outbound International air transportation expenses (Accounts 53201 and 53212), with a refinement to remap surface parcels to regular parcels in the distribution. *Id.* Account 53281 expenses would be isolated from the other expenses and additional FPS data would be used to distribute account 53281 expenses to international mail categories transported to Canada by surface. *Id.*

Rationale. Following information requests during the recent Annual Compliance Report process, the Postal Service reviewed its international transportation costs. *Id.* at 2. The Postal Service indicates that removing account 53281 from the current treatment that sums accounts 53201, 53212, and 53281 results in the distribution of only air expenses. The Postal Service concludes that with new surface and air treatments for accounts 53201, 53212, and 53281, and account 53286 continuing to receive its separate treatment as part of the FedEx agreement, there is no longer a need for diversion factors. *Id.*

The Postal Service notes that the International Cost and Revenue Analysis (ICRA) has traditionally described the method for calculating outbound international transportation expenses. *Id.* The Postal Service states that the proposal mostly maintains the methodology described in the Air Transportation Cost Computations, but would remove account 53281 from the benchmarking of International air transportation expenses for all countries. *Id.* at 3.

The Postal Service states that the primary subject of this proposal is the International highway costs section. *Id.* Currently, the proportions of total outbound kilograms to Canada are used to develop diversion ratios for mail types transported by surface. *Id.* at 4. The proposal would use U.S. and Canada information service center origin destination pairs by ICRA outbound mail class to replace the diversion percentages. *Id.*

The Postal Services notes that additional FPS data is used to distribute expenses for outbound surface transportation to Canada. It concludes that “refining the treatment of air transportation costs would improve ICRA reporting by providing a finer level of mail category detail that: 1) eliminates treating the sum of air and surface costs together, 2) eliminates the need to develop air to surface diversion factors to isolate or divert Canada surface transportation expenses, and 3) provides the basis for the distribution of surface costs using surface data and the distribution of air costs using air data.” *Id.* at 4-5.

Impact. The Postal Service claims that the two non-public attachments accompanying the proposal show its “modest impact,” and indicates that both are filed under seal as part of Library Reference USPS-RM2021-8/NP1. *Id.* at 5. It concludes that the net impact on total Market Dominant and total Competitive products costs is zero. *Id.* Additional pages display the detailed impacts on Market Dominant products and Competitive products. The Postal Service concludes that, overall, the proposal would shift roughly \$158,000 of attributable costs from Market Dominant to Competitive products. *Id.*

The Postal Service also indicates that the change in Total Volume Variable and Product Specific Cost in Attachment 2 reflect the International Negotiated Service Agreement (NSA) differences in Attachment 1. It concludes these show that all NSAs that were compensatory in FY 2020 would have remained so under this proposal. *Id.*

Mechanics. The Postal Service details several of the adjustments that would be made to various files by the proposal. *Id.* at 6.

III. NOTICE AND COMMENT

The Commission establishes Docket No. RM2021-8 for consideration of matters raised by the Petition. More information on the Petition may be accessed via the Commission's website at <http://www.prc.gov>. Interested persons may submit comments on the Petition and Proposal Five no later than September 15, 2021. Pursuant to 39 U.S.C. 505, Jennaca D. Upperman is designated as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission establishes Docket No. RM2021-8 for consideration of the matters raised by the Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Five), filed August 4, 2021.
2. Comments by interested persons in this proceeding are due no later than September 15, 2021.
3. Pursuant to 39 U.S.C. 505, the Commission appoints Jennaca D. Upperman to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this docket.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Erica A. Barker
Secretary